

## RESULTS JANUARY – DECEMBER 2022

### Santander Portugal achieves net profit of € 568.5 million

*"We are going through greatly challenging times, and this means that we have to be even more aware of our responsibilities towards our customers, employees, and shareholder.*

*The year of 2022 was marked by the war in Ukraine, an event that dramatically changed the economic and social course that was expected, and that made us, once again, act on our purpose.*

*For families and companies struggling with financial difficulties, we act preventively, in order to help them find the most suitable solutions for their needs. Additionally, we keep supporting the economy, providing companies with essential funds for developing their projects and enhancing their competitiveness, which is a fundamental step towards the growth of employment and wealth in our country.*

*For our employees, we launched a set of support measures to mitigate the effects of the increased cost of living, which measures we have already reinforced in 2023, such as the increase of the minimum wage to € 1,400.*

*The results we are announcing today are the result of the commitment and dedication of our teams — the main drivers of the solid and profitable institution that Santander Portugal is, and who guarantee the provision of a service of excellence to our customers.*

*I believe that the Portuguese financial sector has the capacity to successfully overcome the challenges it faces. Santander will maintain its policy of supporting people and businesses to prosper, supported by the comprehensive digital and commercial transformation that we have been carrying out, with clear benefits in the quality of service provided to our customers."*

*Pedro Castro e Almeida, CEO of Banco Santander Portugal*

Lisbon, February 2, 2023 — PRESS RELEASE

#### Highlights

- At the end of 2022 the **net income** of Santander Totta, SGPS amounted to **€ 568.5 million<sup>1</sup>**, compared to € 298.6 million in the same period last year.
- Total **loans to customers<sup>2</sup>**, amounting to **€ 43.3 billion**, recorded a 0.3% decrease compared to the figure at the end of 2021. The **mortgage loans** segment recorded a year-on-year growth of 5.5%, as a result of

<sup>1</sup> The reported result excludes the impact of capital gains obtained in intra-group operations.

<sup>2</sup> Total loans to clients (gross)

the strong dynamics of new production of mortgage credit, in which the Bank had a 23.7% share (accumulated up to November).

- **Customer resources amounted to € 45.8 billion**, a slight decrease of 2.4% compared to the same period in 2021, as a result of a stabilization in customer deposits (+0.2% year-on-year), and of a 14.3% reduction in off-balance sheet resources over the same period, largely associated with the adverse context in the financial markets.
- The Bank continues to increase its digital customer base, leveraging the commercial and digital transformation process, representing 62% of the main bank customer base.
- The **efficiency ratio stood at 37.6%** (a 2.5 pp decrease compared to December 2021).
- The **fully implemented CET1 ratio** stood at 16.5%, an 8.6 pp decrease year-on-year.
- The North American magazine *Global Finance* awarded the title of "**Best Bank in Portugal**" to Santander, within the scope of "*The World's Best Banks 2022*," while the magazine *World Finance* distinguished Santander as the "**Best Retail Bank**" in Portugal in the "*World Finance Banking Awards 2022*."
- The magazine *Euromoney* distinguished Santander for the third consecutive year as the "**Best Trade Finance Bank**" in Portugal, winning in the "Market Leader" and "Best Service" categories. The same publication also highlighted the Bank's *Private Banking* in the "*The World's Best Private Banks Awards 2022*," which distinguish institutions with the best private banking service worldwide. *Private Banking* received a similar distinction from the *Global Finance* magazine, for the eighth consecutive year.
- At the beginning of 2022, the Bank received the **Five Star Award** in the "Large Banks" and Mortgage Loan categories.
- At global level, the publications *The Banker* and *Euromoney* distinguished Santander for its initiatives in **Financial Inclusion**.
- In terms of Education, 14 programmes were developed on the Santander Scholarships platform, with emphasis on the Santander Future Scholarships, a financial support given to more than a thousand beneficiaries, and also the Erasmus Scholarship, as well as English and digital skills courses.
- In terms of **sustainable financing**, Santander financed Onex Holdings in excess of € 360 million, for the refinancing and acquisition of 5 wind farms from EDP Renewables, and granted € 200 million in commercial paper under the *Sustainability-Linked Loans* model, with variable financing conditions according to the company's ESG performance. Santander also participated in green bond issuances for an amount in excess of 900 million euro.
- In December, the Christmas solidarity campaign "Traz para o Cabaz" was launched, promoted with the Union of the Portuguese Mercy Institutes, which brought together employees and customers in a solidarity initiative that made it possible to deliver more than 1,200 baskets to needy families, with products typical of the Christmas season.
- Santander Portugal has the best ratings in the sector. The Bank's current long-term debt ratings — compared to the levels of Portugal as a country — are as follows: Fitch - A- (Portugal - BBB+); Moody's - Baa2 (Portugal - Baa2); S&P - BBB+ (Portugal - BBB+); and DBRS - A (Portugal - A low).

## Key Indicators

### Santander Totta, SGPS

<b>BALANCE SHEET AND RESULTS</b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
Total Net Assets	59,148	60,186	-1.7%
Loans and advances to customers (gross) <sup>(1)</sup>	43,303	43,416	-0.3%
Customers' Resources	45,777	46,892	-2.4%
Net Interest Income (without dividends)	782.9	729.6	+7.3%
Net Fees	470.3	426.6	+10.2%
Net Income from Banking Activities <sup>(2)</sup>	1,291.6	1,318.5	-2.0%
Operating costs	-486.0	-528.7	-8.1%
Net Operating Income	805.6	789.7	+2.0%
Income before taxes and non-controlling interests	818.2	435.0	+88.1%
Consolidated net income*	568.5	298.6	+90.4%

<b>RATIOS</b>	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
ROE	12.3%	6.3%	+6.0 p.p.
Efficiency ratio	37.6%	40.1%	-2.5 p.p.
CET I ratio (fyly implemented)	16.5%	25.1%	-8.6 p.p.
Non-Performing Exposure Ratio <sup>(3)</sup>	2.0%	2.3%	-0.3 p.p.
Non-Performing Exposure coverage ratio	87.0%	81.0%	+6.0 p.p.
Cost of credit <sup>(4)</sup>	-0.03%	0.17%	-0.20 p.p.

<b>Other Data</b>	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
Employees in Portugal	4,644	4,805	-161
Total Branches in Portugal	339	348	-9

<b>RATING (BST)</b>	<b>Dec-22</b>
FitchRatings	A-
Moody's	Baa2
Standard & Poor's	BBB-
DBRS	A

<sup>(1)</sup> Total loans to customers (gross)

<sup>(2)</sup> Includes the costs with the Resolution and Deposit Guarantee Funds

<sup>(3)</sup> In accordance with to EBA criteria

<sup>(4)</sup> 12 month average

\* excludes the impact of capital gains obtained in intra-group operations

## **Business Environment**

Economic growth was positive during the third quarter, thus extending the economic recovery, despite the context of war and high inflation. However, throughout the last quarter of 2022, the high-frequency PMI (Purchasing Power Manager) indicators signalled a weakening of global economic activity, particularly in Europe. In China, intermittent lockdowns and growing vulnerabilities in the real estate sector kept impacting economic performance, namely in terms of investment, industrial production, and trade.

Despite the clear signs of slowdown in global economic activity, central banks remained focused on containing inflationary pressures, which put pressure on purchasing power, especially for lower-income and more vulnerable economic groups. In response, governments have adopted support measures specifically targeted at the most impacted groups.

Thus, monetary policy —despite the sharper increase in reference interest rates implemented in the second half of 2022 — shall remain oriented towards controlling inflation, which could lead to a slowdown in global economic growth, namely in sectors with greater sensitivity to rising interest rates.

In the Euro Area, the growth prospects are of a possible economic contraction, in Q4 2022 and in Q1 2023, triggered by the combination of a number of different phenomena, resulting from the invasion of Ukraine by Russia, the generalized rise in reference interest rate by central banks to contain inflationary pressures, the continued restrictions on mobility in China within the framework of controlling the pandemic, and the continued disruptions on global logistic chains. The consensus, however, is that the downturn period will be of short duration and low intensity.

According to the latest ECB projections, economic growth in 2023 could almost stagnate (0.5%), followed by a recovery cycle in 2024 and 2025, with growth rates of 1.9% and 1.8%, respectively.

Despite the economic slowdown, inflationary pressures in the Euro Area remain higher, more widespread, and more persistent than expected. In December 2022, inflation had already slowed down to 9.2%, largely due to lower energy prices. The ECB anticipates that in the coming years inflation will slow down, although it will still remain high, namely at 6.3% in 2023, 3.4% in 2024, and 2.3% in 2025.

In view of the macroeconomic context, the ECB maintains an orientation towards keeping up with its tight monetary policy in 2023, after the increases implemented in 2022, in a total of 250 bp, to 2.5%. Additionally, the principles of reducing the assets acquired by the ECB within the scope of the asset purchase programme (APP) were discussed, which should start from March 2023, at an average pace of € 15 billion per month until the end of Q2 2023, with the subsequent paces being dependent on the evolution of economic and financial conditions.

The Portuguese economy was characterized by a downward trend in consumer confidence and of the economic climate throughout Q4 2022, as a result of high inflation and of the rise in interest rates on households' purchasing power, contributing to the deterioration of prospects regarding the future evolution of the country's economic situation and the financial situation of households. The outlook on the future evolution of major purchases also continues to deteriorate.

The inflation rate will have reached its peak in Q4 2022, with an average of 9.9%, and with the average annual inflation rate standing at 7.8% (1.3% in 2021), the highest figure since 1992. The core inflation rate (excluding unprocessed food and energy) was 5.6% in 2022 (0.8% in 2021). Despite the general increase in consumer prices, the upsurge in the prices of unprocessed food and energy was the main driver of this dynamic, recording annual average variations of 12.2% and 23.7%, respectively (0.6% and 7.3% in 2021). The rise in producer

prices was even more pronounced, recording an average annual growth of 21.2% in 2022, the highest in the series (6.5% in 2021). Excluding the energy component, industrial production prices grew by 14.5% in 2022.

Short-term economic activity indicators (until November 2022) point to a slowdown in nominal terms in services, and a slight acceleration in manufacturing, while in real terms there were declines in manufacturing and construction. As far as expenditure, there was a decrease in economic activity and investment, with a slowdown in the private consumption indicator.

Despite signs of a slowdown in economic activity, the labour market continued to operate quite dynamically, with the unemployment rate standing at 6.4% in November (an increase of 0.4 pp compared to the previous month). The labour underutilization rate stood at 11.6% (0.4 pp compared to October 2022). The employed population recorded a year-on-year increase of 0.3% (but a quarter-on-quarter reduction of 0.4%).

Signs of a slowdown in economic activity in Q4 2022 indicate that GDP has almost stagnated (0.2%), quarter-on-quarter, resulting in an annual growth rate of about 6.7%. The significant economic growth in 2022 was essentially due to the abrupt recovery of business activity in a post-pandemic context, with all growth engines quickly returning to their potential.

Despite the context of sharp rise in interest rates, its full impact in terms of reviewing the interest rates on mortgage loan contracts should only be largely implemented in Q2 2023. The first impact of the rise in interest rates has already contributed to moderating the demand for mortgage loans, with a drop in new production in the second half, compared to the peak recorded in the first months of the year.

On the other hand, the evolution of public accounts continued to benefit from the rise in inflation and the post-pandemic economic recovery, with indirect tax revenues exceeding the Government's expectations, in particular in terms of VAT revenues. The budget balance, in the first nine months of the year, recorded a surplus of 2.8% of GDP, leaving open an annual execution much better than the 1.9% deficit projection contained in the 2022 State Budget. The public debt ratio could thus come down more quickly.

In the current inflationary context, with adjustments of the monetary policy by the ECB, public debt yields in the Euro Area keep rising, with the German 10-year yield standing at 2.31% (as of January 30, 2023). The 10-year Portuguese sovereign rate rose to 3.25%, a 276 bp increase compared to December 31, 2021 (0.49%). The difference against the German sovereign rate also doubled to 94 bp, compared to 66 bp recorded in December 31, 2021. Portugal's credit rating is Baa2 by Moody's, BBB (stable) by Fitch, BBB+ by S&P, and A (low) by DBRS.

## Results

At the end of 2022, Santander Totta, SGPS (in this press release referred to as the “Bank” or as “Santander Portugal”) achieved a net profit of € 568.5 million, compared to the € 298.6 million it achieved in the same period in 2021. This amount includes an extraordinary expenditure in the amount of € 164.5 million (net of taxes), recorded in the first quarter of 2021, to cover the ongoing transformation plan, with the optimization of the branch network, and investments in processes and technology.

Net income from banking activities<sup>1</sup> amounted to € 1,291.6 million, a 2.0% decrease compared to the end of 2021, as a result of the improved results of commercial activity (commercial revenue grew by 8.2% compared to the same period in the previous year), which helped to largely compensate the reduction in results from gains/losses in financial assets, which recorded a 78.8% decrease compared to the figure in 2021, when they had reached a very high value, as a result of the management of the securities portfolio.

Operating costs, in the amount of € 486.0 million, recorded an 8.1% decrease compared to the end of 2021, as a result of which net operating income increased by 2.0%, in the same period, to € 805.6 million. The efficiency ratio decreased by 2.5 pp to 37.6%.

Net interest income amounted to € 782.9 million, corresponding to a 7.3% growth compared to the same period in 2021. The recovery was due to the changes in the interest rate context, with the monetary policy measures implemented by the ECB — in terms of the increase in the interest rate on the deposit facility —, which had remained in negative territory throughout the first half of the year. On the other hand, the very competitive environment remained, which continued to put a downward pressure on credit spreads.

Net fees, amounting to € 470.3 million, recorded a year-on-year growth of 10.2%, benefiting from the combination of several factors. On the one hand, the post-pandemic economic recovery allowed for increased transactional fees, in particular for means of payment, but also for credit, associated with the dynamics of mortgage loan origination. On the other hand, the focus on the protection strategy, namely in terms of the distribution of non-related risk insurance, with emphasis on the offer of car insurance for individuals and companies, which made it possible to offset the dynamics in terms of asset management fees.

Other results from banking activity amounted to € -31.1 million, a 16% increase compared to the same period in 2021, reflecting, to a large extent, the costs with resolution funds, both national and European. Income from insurance activity, in the amount of € 12.2 million, decreased by 24.6% year-on-year, and income from gains/losses on financial assets recorded a year-on-year decrease of 78.8%, to 33.0 million, an evolution that reflects the revenue associated with portfolio management operations of public debt securities recorded in 1Q 2021.

Operating costs amounted to € 486 million, recording an 8.1% reduction compared to the end of 2021, as a result of the 6.6% decrease in staff expenses and the 10.2% decrease in general and administrative expenses. Depreciations decreased by 8.1% in this same period. Throughout 2021, the Bank carried out a comprehensive operational and commercial transformation plan, seeking to adjust its structure and processes to changes in the way customers relate to banking entities, with particular focus on simplifying processes and service quality improvement. In addition to the clear benefits in terms of productivity and customer experience, such transformation also allowed the Bank to maintain a controlled cost base in the context of the sharp acceleration of inflation, particularly in the second half of 2022.

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<sup>1</sup> Net income from banking activities includes charges with Resolution Funds, and with the Deposit Guarantee Fund

Net impairment of financial assets at amortized cost amounted to € 12.0 million, an improvement compared to the -73.5 million recorded in the same period last year. Despite the context changes, clearly seen in the increased Euribor interest rates and in the consequent increase in the cost of credit, as well as in the acceleration of inflation, the economy remained quite dynamic throughout 2022, with a situation of full employment, materialized in the stability of the unemployment rate around 6% throughout the year. This factor contributed to the fact that, despite the complex economic context, there was no perceptible impact on the quality of the loan portfolio, with the NPE ratio standing at 2.0% at the end of the year, a reduction of 0.3 pp compared to the level at the end of 2021.

The dynamics of net provisions and other results in 2022 largely reflects the effect of the extraordinary charges related to the implementation of the aforementioned Bank's transformation plan, which were recorded in the 1<sup>st</sup> quarter of 2021, and also includes the charges for the extraordinary contribution on the banking sector and the solidarity surcharge.

Income before taxes and non-controlling interests amounted to € 818.2 million, compared to the € 435.0 million in the same period in 2021.

### Balance Sheet and Business Volumes

At the end of 2022, the loan portfolio amounted to € 43.3 billion, recording a slight decrease of 0.3% compared to the end of 2021.

In Q4 2022, the origination of mortgage loans by the Bank remained quite dynamic, with a market share of 23%, in line with the annual average. In the eleven months to November, the Bank originated around € 3.2 billion in new mortgages, allowing the mortgage loan portfolio to grow by 5.5% compared to the end of 2021. In terms of credit for consumers and other purposes, the Bank also maintained a quite relevant business activity, with a portfolio growth of 2.8% in 2022.

Loans to corporates amounted to € 15.4 billion, translating into a 3.8% reduction compared to the same period in the previous year. This dynamic reflects the combination of several factors, such as a set of scheduled maturities at the level of larger companies, which also have greater liquidity, in addition to the impacts of the economic environment, with global uncertainty and rising interest rates. At the end of the third quarter, the Bank agreed with the EIB a new facility in the amount of € 820 million, aimed at granting loans to SMEs and mid-caps.

<b>LOANS<sup>1</sup></b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
Loans to individuals	25,290	24,035	+5.2%
<i>of which</i>			
Mortgage	23,117	21,921	+5.5%
Consumer	1,820	1,716	+6.0%
Loans to corporates	15,421	16,025	-3.8%

(1) Loans at amortized cost

The Non-Performing Exposure (NPE) ratio, calculated in accordance with the EBA criterion (regarding balance sheet exposure), fell to 2.0% in December 2022, a YoY decrease of 0.3 pp, the respective coverage standing at 87.0%.

Customer resources, amounting to € 45.8 billion, recorded a 2.4% decrease compared to the same period last year, as a result, on the one hand, of the stabilization of the deposit base (which grew by 0.2% compared to December 2021), and, on the other hand, of the 14.3% reduction in off-balance sheet resources, the dynamics of which were the result of the context of high inflation observed in the second half of 2022, with a rise in short- and long-term interest rates, and a correction of equity markets.

<b>RESOURCES</b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
<b>Customers' resources</b>	<b>45,777</b>	<b>46,892</b>	<b>-2.4%</b>
Deposits	38,506	38,412	+0.2%
Off-balance sheet resources	7,270	8,479	-14.3%
Investment funds	3,623	4,340	-16.5%
Insurance and other resources	3,647	4,139	-11.9%

### Liquidity and Solvency

Santander Portugal pursued its liquidity management strategy aimed at maximizing the liquidity cushion available to face adverse events. In the last quarter of 2022, Santander maintained its solid liquidity position, ending the year with a liquidity reserve of € 15.9 billion. Exposure to the Eurosystem amounted to € -3.9 billion (a surplus position).

The Bank has adapted its financing structure to the market context. Financing obtained from the European Central Bank remained exclusively in long-term operations and entirely through the TLTRO III financing programme, in the amount of € 4.2 billion. Short-term funding, through repurchase agreements, amounted to € 2.1 billion at the end of the year.

In terms of long-term financing, in addition to the operation with the ECB, Santander Portugal ended Q4 2022 with about € 1.1 billion in securitisations, € 2.0 billion in covered bonds, € 1.1 billion of senior HoldCo issuances, € 0.2 billion of subordinated issuances, and € 0.2 billion of Credit Linked Notes.

The LCR (Liquidity Coverage Ratio), calculated in accordance with CRD IV rules, stood at 132.5%, thus meeting the regulatory requirements on a fully-implemented basis.

The Common Equity Tier 1 (CET1) ratio, calculated in accordance with CRR/CDR IV standards, reached 16.5% (fully implemented) in December 2022, an 8.6 pp reduction over the same period in 2021, associated with the decision of the Board of Directors of Santander Portugal of resuming the distribution of dividends in 2022, since the recommendation of the European Central Bank (ECB/2020/19), of March 27, 2020, on shareholder remuneration has been lifted. The Bank's solvency also reflects its capacity for generating organic capital, as well as the management of risk-weighted assets.

The Bank still has very high capitalization levels, clearly above the minimum requirements set by the ECB under the SREP (in 2022, CET1: 8.344%, Tier 1: 10.125%, and Total: 12.5%, fully implemented).

In terms of MREL, as of December 31, Santander Totta SGPS recorded a ratio of 27.7%, above the fully implemented requirement of 23.77% (including the 3% Combined Buffer Requirement (CBR) of TREA), required as of January 31<sup>st</sup>, 2022.



<b>CAPITAL (fully implemented)</b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>
Common Equity Tier I	2,613	3,740
Tier I Capital	3,013	4,140
Total Capital	3,287	4,204
<b>Risk Weighted Assets (RWA)</b>	<b>15,813</b>	<b>14,879</b>
CET I ratio	16.5%	25.1%
Tier I ratio	19.1%	27.8%
Total Capital Ratio	20.8%	28.3%

## Business Activity

### Individuals

In the **Individuals** segment, the new account opening process stands out, with a completely online, self-service version, and also a new, simpler, faster version at branches.

The results of commercial activity in this segment were in line with the goals set for the year, with the exception of investment products, due to the instability of financial markets.

Special mention should be made to Mortgage Loans in this segment, where production grew by 15%, with market shares above 23%. Consumer credit and credit for other purposes also grew in 2022, with an increase of more than 50% in new production compared to 2021, with an important contribution from the digital transformation of existing contracting processes.

The Net Promoter Score (NPS) is also worth being highlighted. This index measures the level of customer satisfaction, in which Santander Portugal was ranked 2<sup>nd</sup> in Portugal, on average, throughout the year.

In 2022, the Protection Insurance activity focused on increasing the level of customer protection in all dimensions of their day-to-day activities (Global Protection).

With regard to non-related Insurance, the Viva Mais Health Insurance was launched on the App, and online journeys were optimized, with the inclusion of differentiating features (for example, pre-quotation and contracting with a single click), which contributed to a 40% plus increase on self-service sales. At the same time, a Health engagement initiative was launched, reinforcing the association of the Santander brand with Health Insurance solutions. Important advances were also made in the Corporate segment, namely with the availability of new offers (Car Insurance and Workplace Accident Insurance), including a campaign for activating Corporate Insurance with preferential conditions.

With regard to Credit-Associated Insurance, emphasis should be given to the improvement in credit days with insurance in context, and the improved follow-up of new credit operations with insurance. Additionally, a portfolio view was made available for consultation by self-service customers, both on NetBanco and on the App.

Finally, it is worth mentioning the focus on improving Customer Experience, which remained a priority, both in customer interactions (transactional NPS), and in portfolio management (relational NPS).

## **Business, Corporate and Institutional**

One of Santander's main goals, in this more complex economic environment, was to manage the impact of the crisis caused by the pandemic, by inflationary pressures, and by rising energy costs — boosted by the war in Ukraine — on its customers, intending to become the trusted partner of companies in their recovery and transformation process.

Throughout 2022, the Bank sought to respond to social sustainability challenges with a focus on the risks of climate change, contributing to its mitigation, betting in the offer of photovoltaic solutions, which allow companies to reduce energy costs, contributing to environmental sustainability, while also supporting urban projects with innovative components focused on optimizing energy resources.

Supporting public and private investment projects under the scope of European Funds continued to be a priority for the Bank. Partnerships were signed with consultants specializing in financial, tax, and technical efficiency consultancy in the various sectors, with the goal of supporting customers in all the steps of their investment projects, from the analysis, evaluation, and study of the business potential, to functional optimization of projects, and monitoring of their implementation. On the public website, on the webpage dedicated to European Funds, Santander continues to make available all the relevant, updated information that help customers access the various programmes, investment schedules, and active application notices in an organized manner, and where the European Investment Fund (EIF) facilities have taken on a special relevance.

In 2022, Tourism, Agriculture, the Social Economy, and Health took on a prominent role within the national economy, being equally strategic for Santander. As far as Tourism, the Bank was strongly committed to providing solutions aimed at supporting innovation and digital transformation, as well as climate sustainability. As far as Agriculture, specific facilities were made available, as well as the development and implementation of initiatives aligned with environmental sustainability. In the Social Sector, the effort to invest in requalification and to increase the capacity of the various social responses is underway, in an effort shared between Public Administrations, Social Sector Entities, and Banks, embodied in the Peers Programme or in specific notices integrated in the RRP.

In the Institutional Banking cluster, Santander maintains its strong commitment to supporting customers in this segment, both in terms of public entities — maintaining a strong presence in the Autonomous Regions, Municipalities and Municipal Companies —, as well as in terms of entities in which the State has a shareholding.

Recognizing the huge challenges faced by Portuguese companies, Banco Santander provides its customers with support mechanisms for developing their businesses and for improving their competitiveness, which are important steps towards generating more wealth, more employment, and contributing to the recovery and growth of the Portuguese economy. The recent protocol signed with the European Investment Bank (EIB) to support SMEs and Mid-Caps in Portugal with a credit facility of € 820 million is a clear proof of this.

In addition, there is a set of credit facilities already in force, with the European Investment Fund (EIF), and with the Banco Português de Fomento [Portuguese Development Bank]/ National Mutual Guarantee System, whose benefits from the guarantees are transferred to customers through advantageous market conditions, allowing funding to reach a greater number of companies, under the most favourable conditions possible.

In the **International Business** area, Santander Portugal keeps a solid market share in most *Trade Finance* operations, an unmistakable sign of our customers' trust in the Bank's professional structure, and also of its image of solidity and credibility in international markets. Customers were supported in the current context of general increases in energy and raw material prices and transport costs, through the origination of business and the structuring of more complex operations with national importers and exporters.

The *International Desk* continued to support the internationalization of Portuguese companies, as well as favouring the opening of foreign company accounts in Portugal, having organized and participated in various events.

Santander provides an online platform, the *Trade Club Alliance*, which provides information on customers, suppliers or distributors abroad, in addition to macroeconomic data, exchange rates or even a simulation of the calculation of the total costs associated with export operations.

### **Wealth Management and Insurance**

The year of 2022 was an extremely complex year for the *Wealth Management* areas, conditioned by the outbreak of a war in Europe, by the steep acceleration of inflation, and the corresponding monetary policy changes by the main central banks. Actually, the war in Ukraine had a huge impact on energy prices, which, added to the uncertainty of the war context itself, and even to production and logistics disruptions, raised inflation to three-decade highs, above 6% in the US, and above 8% in Europe.

This context negatively impacted all asset classes, with very negative performances throughout the year. Most European equity indices ended 2022 with losses above 12% and, in the North American market, the S&P index recorded losses close to 20%. In parallel with the sharp rise in interest rates, both for the Euro and the US Dollar, the global bond markets performed quite negatively. All these factors resulted in losses in most asset portfolios under management.

Despite the quite negative environment for most of Santander's *Private Banking* business indicators in Portugal, there was a 2% growth in business volume, and a 6% growth in balance sheet resources, as well as a 2% growth in funds and insurance and in discretionary mandates (without market effect).

On the positive side, the *Private Banking* customer base maintained a strong growth dynamics, based on a strong external prospecting activity, and on great collaboration and support from the Bank's branch and corporate centre network.

In recognition of its outstanding customer service and care, in the end of 2022 the *Private Banking* of Santander Portugal was distinguished as the best *Private Banking* operating in Portugal for the 8<sup>th</sup> consecutive year, according to the *Global Finance* magazine. These distinctions recognize and reinforce the quality of our teams and of the investment solutions provided by Santander's *Private Banking*, contributing to maintaining the focus on the continuous development of customer service improvement and value proposition.

In terms of investment funds, the greater market instability had an impact on commercial activity, with the funds marketed by the Bank recording net redemptions of € 116 million, and the portfolio converging to € 3,623 million of assets under management.

Retirement solutions constituted a very relevant focus of commercial activity, oriented towards the promotion of programmed delivery plans adjusted to the individual reality of each customer. Santander maintains a quite relevant position in this segment, with a share of about 20% in retirement risk products.

The Financial Insurance area showed greater dynamics in the private banking segment, through *Unit Linked* products specific to the segment. The insurance portfolio ended with about € 3,647 million in assets under management, and with net redemptions of € 171 million, of which € 106 million corresponded to maturities.

Throughout the year, the Bank developed a series of initiatives aimed at strengthening the customer value proposition. Indeed, a commercial model was adopted incorporating customer Sustainability preferences, with

more than half of the offer being converted in this direction. At the same time, a new Retirement product — the *Santander Aforro PPR* —, and a new equity fund — the *Santander Prosperity* —, were launched, aimed at improving society's well-being, while the brand of an anchor *Unit Linked of Private* was also changed.

Finally, emphasis should be given to holding proximity sessions in most regions, involving main customers and their respective managers. These initiatives were aimed at informing customers on the performance of financial products in an extremely interactive way.

### **Corporate and Investment Banking**

The year 2022 proved to be particularly challenging, with very relevant macroeconomic changes, with the war that followed the invasion of Ukraine by Russia resulting in constant fluctuations in energy and raw material prices, acceleration of inflation, interest rate hikes, and volatility of the Euro / US Dollar exchange rate.

In recent years, customers' relations with the Bank have changed, and the Bank has speeded up the transition to digital and has improved its platforms, allowing for more useful and more effective communication. The Bank has presented new, innovative solutions, with emphasis on ESG and Export Finance projects, and renewed its commitment to its customers by supporting their main operations.

Within the scope of ESG, it is worth highlighting the conclusion of the first green confirming carried out in Portugal, for Sonae, maintaining the focus on converting the portfolio into sustainable financing. In Export Finance, it is worth highlighting the *Lead arranger and lender* mandate with Mota-Engil for 3 operations with ECAs (Export Credit Agencies).

The loan portfolio recorded a 5.5% reduction compared to the same period in the previous year, justified by the programmed reduction of some operations.

In the **Global Debt Financing** area, the year 2022 was marked by the Bank's leadership in the main financing operations for renewable energies in Portugal, with emphasis on Santander securing the total financing of €362 million for the acquisition of a portfolio of wind farms by Onex Holdings from EDP. Additionally, the Bank also supported Generg — from the Total Eren group — by refinancing the entire debt of its main renewable energy portfolio. At the end of the year, Santander advised and financed Finerge in an operation worth more than € 2.3 billion, refinancing its entire debt and funding its future growth plan. This operation also stands out for having presented an innovative amortization structure, more adaptable to the challenges currently facing the energy sector, and won the European "*Renewables Deal of the Year*" award by PFI magazine. Part of the debt associated with these operations, which together amounted to around € 3 billion, was subsequently placed with other credit institutions.

With these credit operations, Santander showed its ability to ensure the financing of its customers' strategic projects, as well as the Bank's credibility with other national and international credit institutions.

Additionally, the Global Debt Financing area played a decisive role in the presentation of innovative, dynamic solutions for the decarbonization goals of the Portuguese economy, of which it is worth highlighting financial advice to the first industrial projects that include green hydrogen in their production chain.

During this period, several other relevant financing operations were also concluded in a wide range of sectors, with emphasis on several financing operations in real estate, industrial, and infrastructure sectors.

In terms of **Debt Capital Markets**, the *Global Debt Financing* area maintained its leadership position in the Portuguese market, participating in the sale of € 3 billion of 10-year debt for the Portuguese Republic, and in

the placement of two Green Bonds, of € 500 million and of USD 500 million, for EDP, and in carrying out liability management for Brisa Concessões Rodoviárias, S. A.

In 2022, the **Corporate Finance** area developed an intense activity in Merger & Acquisition operations, of which it is worth highlighting the successful completion of the following financial advisory operations:

- Advising Atlantia on the sale of the 17.2% stake it held in Lusoponte to MM Capital Partners, a subsidiary of Marubeni Corporation;
- Advising Penta Flex in the spin-off operation between Cordex and Flex 2000;
- Financial advice to Altri and Greenvolt in the Greenvolt spin-off process;
- Acting as Joint Global Coordinator in the capital increase/Public Subscription Offer of Greenvolt, in the amount of € 100 million.

In the **Markets** area, particularly in the *Corporate and Commercial Banking* area, there was a sharp activity growth, based on the effort to being closer to customers and due to the suitability of the solutions presented in the context of extreme volatility in most financial markets, materialized in the fall of the Euro against the US Dollar (which had not occurred for two decades), in the devaluation of more than 16% of the main global bond index, and in the sharp rise in reference interest rates.

In the **Foreign Exchange** segment, there was a significant increase in the number of operations, in volume traded, and in the number of customers operating with the Bank. In this regard, it is worth mentioning the success of the digitalization strategy followed by the Bank, embodied in the exchange platform available on NetBanco, which maintained, in 2022, the very expressive growth trend of recent years.

In the **Interest Rate** segment, the versatility of the solutions presented by the Bank were key to the period's results, with emphasis on the number of fixed rate operations carried out, especially in the first half of the year, and which are currently relevant in many Companies' Treasury management. It is also worth mentioning the involvement in differentiated operations — taking up the role of hedging coordinator — in financing originated with the aim of subsequent partial placement with other financial institutions.

In the **Structured Products** segment for retail, 5 products were placed, for an amount exceeding € 70 million, with the market context allowing the development of more conservative structures, in particular of guaranteed capital, in addition to the offer of investment products for *Private Banking*.

In the **Cash Trading** area, the fact that 2022 was a historically negative year — with the *MSCI World Index* devaluing more than 19%, and the *Bloomberg Global Aggregate Index* (global bond market benchmark) devaluing more than 16% — weighed on investor sentiment and in volumes traded, given that the bond market had not recorded a devaluation of more than two digits in line with the stock market for more than four decades.

## **Responsible Banking**

Banco Santander is committed to its mission of helping individuals and businesses to prosper, namely by supporting inclusive, sustainable growth. Throughout 2022, the priority action plans defined in the Responsible Banking Report were responded to.

In the context of sustainable financing, in February, the *Sustainable Finance Classification System* (SFCS), was published. This document sets out the criteria for financing to be considered sustainable by Santander. Inspired by the European Taxonomy and by other international standards, the SFCS lays the groundwork that will enable the Bank to support its customers in the transition to a low-carbon economy.

Environmentally responsible financing solutions were created. Namely, € 200 million were allocated in commercial paper under the *Sustainability-Linked Loans* model, with variable financing conditions according to the company's ESG performance. A financing operation was carried out for Onex Holdings, in the amount of more than € 360 million, for the refinancing and acquisition of 5 wind farms from EDP Renewables. The Bank led an operation with MedWay ROSCO, with an innovative project financing structure, financing the acquisition of 16 electric locomotives and 113 intermodal wagons, having ensured € 77 million, out of a total investment of € 122 million, while the European Investment Bank secured the remainder. Santander also participated in green bond issuances, for an amount in excess of € 900 million.

In the social sphere, the ability to have an impact on Society was largely reinforced through the creation of the Santander Portugal Foundation, with the mission of transforming the lives of people and companies. The intention is to invest in the future of Portugal, supporting the education of all generations and promoting social mobility, towards a more developed, fairer, more inclusive, sustainable society.

In line with the objectives set out to promoting — through Education — a more inclusive, fairer and sustainable society, Santander Portugal, through its Foundation, established and continued several partnerships, such as **School 42**, which seeks to develop programming skills in society, stimulating teamwork, problem solving, and autonomy and resilience; or the **My Mentor** project, a unique platform at national level, based on artificial intelligence, to stimulate the upskilling and reskilling of its users

In terms of Education, 14 programs were developed on the Santander Scholarships platform, in addition to the multiple programmes developed by Education Institutions themselves, which reached out to more than 5 thousand people as direct beneficiaries. Among the most popular programmes in 2022 are the Santander Future Scholarships, a financial support scholarship awarded to over a thousand beneficiaries, as well as the Erasmus Scholarship, as well as English and digital skills courses.

In terms of Entrepreneurship, the **SantanderX Local Award** was launched for the first time in Portugal, aimed at acknowledging entrepreneurial projects of a university nature and start-ups, under which 6 projects were awarded. The presence of *SantanderX* at the *Web Summit* boosted the application of Portuguese start-ups to corporate programmes and their joining the SantanderX100 network — the start-ups community supported by Santander.

Additionally, Santander Portugal established innovative agreements to promote lifelong learning. In November, together with the *Católica Lisbon School of Business & Economics* and Galp, it launched the *Yunus Social Innovation Centre*, the first social innovation centre in Portugal linked to the network of the economist and Nobel Peace Prize winner Muhammad Yunus. A partnership was established with IST-ID, allowing the creation of a research unit of the *Técnico*<sup>1</sup> at the Beato Creative Hub, which develops its activity in the field of person-machine interaction.

Financial Literacy initiatives were also promoted. In September, the book "Maria e o Segredo da Poupança" [Maria and the Savings Secret] was launched, to help youngsters understand the basic concepts of how money and savings work. A financial literacy programme was created, which is holding sessions for secondary school students, addressing the advantages and consequences of their financial choices, thus empowering the financial decisions of the future generations. The Senior SuperLine was made available, a support hotline for non-digital customers over 70 years of age, which serves 195 thousand customers.

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<sup>1</sup> The Technical Higher Education Institute, of the Lisbon University (TN)

Santander Portugal continues to promote a more inclusive society by supporting integration projects, with emphasis on:

- A Protocol with the Salvador Association, to continue supporting the employability project for people with motor disabilities.
- The support for the Portuguese Asperger Syndrome Association (APSA), by promoting the social and professional integration of people with Asperger's.
- The support for the *Café Joyeux Portugal* project, to promote the employability of people with Intellectual and Development Difficulties (IDD).
- The EPIS scholarship programme, supporting students in need during their journey through Secondary and Higher Education, redirecting Santander's support towards professional integration scholarships aimed at students with special needs.
- The support to the *Girl MOVE Academy* programme, aimed at promoting teaching and education for the female population, and at training new generations of women to lead the cultural transformation and empowerment of young Mozambican women.
- Sponsoring the Orchestra Without Borders, an association aimed at supporting and retaining young talent in the inner countryside in Portugal and Spain, preventing the abandonment of music teaching, while also rewarding academic merit.
- The support, together with the Sara Carreira Association, to children and young people with financial restrictions, helping them to evolve throughout their education, through the awarding of 21 study grants.
- The support to the Johnson Academy, a project that welcomes young people in deprived areas of Lisbon, contributing to the promotion of citizenship, education, and the fight against juvenile delinquency.

In order to involve the Bank's employees in promoting a fairer society, a new edition of **Donativo Teams** was launched, an award in which employees choose the social or environmental projects that the Santander Foundation will support in the total amount of € 78,000.

In December, the Christmas solidarity "Bring into the Basket" campaign was launched, promoted with the Union of the Portuguese Mercy Institutes, which brought together employees and customers in a solidarity initiative that made it possible to deliver more than 1,200 baskets to needy families, with products typical of the Christmas season.

As part of Santander's humanitarian response to the war, last September, Santander **launched a fundraising campaign**, accompanied by a solidarity concert, to support **UNICEF's work in Ukraine**, especially in favour of children impacted by the war in that country. The money raised was fully allocated to Unicef Portugal.

Santander volunteers participate in the **Speak programme**, a social *start-up* that has been supporting the integration of migrants for 8 years. A group of about 40 volunteers have been guiding and offering informal Portuguese classes to small groups of refugees from Ukraine, Afghanistan, and from various African countries, spread throughout the country. Each programme includes twelve 90-minute sessions.

The Bank has also implemented new measures such as **500 Portuguese scholarships for Ukrainian refugees**, aimed at supporting the integration in Portugal of people impacted by the war.

In support of Ukrainian customers, a **help line in Ukrainian** was implemented, as well as the **exemption of fees on international transfers to and from Ukraine** until the end of 2022, in addition to the **exemption of the basic account fee (minimum services) for 12 months**.

Santander's responsibility and impact have been recognized internationally. *Euromoney* distinguished Santander as the "Best Bank in Corporate Responsibility" in Central and Eastern Europe in its "Awards for Excellence 2022," in recognition of the Bank's contribution to the humanitarian response to the war in Ukraine, with particular emphasis on initiatives carried out in Portugal.

At a global level, Santander was also distinguished with the *Euromoney Financial Inclusion* award as a result of the Bank's initiatives in terms of access, financing, and people's education in the markets where it operates. In line with the Santander Group's global strategy, more than 474,000 people have already been empowered in Portugal since 2019.

### External recognition

In 2022, Santander was distinguished as the "**Best Bank in Portugal**" by the North American magazine *Global Finance*, within the scope of the "World's Best Banks 2022." Santander was also distinguished as the "**Best Retail Bank**" in Portugal by the *World Finance* magazine, within the scope of the "World Finance Banking Awards 2022." Santander was considered by Portuguese consumers as the most relevant brand in the Large Banks and Mortgage Loan categories in the 2022 edition of the Five Stars Award.

In the **Corporate** area, *Euromoney* magazine once again distinguished Santander as the "**Best Trade Finance Bank**" in Portugal, having won in the categories of "**Market Leader**" and "**Best Service.**" For its part, *Global Finance* awarded Santander, for the second consecutive year, as the "**Best Bank for SMEs**" in Portugal, within the scope of the "**SME Bank Awards 2023.**"

Santander's *Private Banking* was once again distinguished by *Euromoney* magazine as the "**Best in Portugal.**" It is the 11<sup>th</sup> consecutive time that this publication distinguishes Santander's *Private Banking* with the "**Best Private Banking Services Overall**" award. At the end of the year, *Global Finance* offered a similar distinction, by considering it as the best in the country, recognizing the advantages of the specialized advisory model, and the unique value proposition that the Bank offers its customers.

The Bank was awarded, for the 3<sup>rd</sup> consecutive year, at the *Euronext Lisbon Awards*, in which it won in the **Settlement & Custody** category. This category distinguishes the Financial Intermediary that carried out the largest number of share and bond issuances registered with Interbolsa (and not admitted to trading), weighted by the respective amounts.

In the **Social Responsibility** area, Santander was distinguished as the Most Responsible ESG Bank in Portugal, taking up the first position in the sector in the Merco ESG 2021 ranking.

*Euromoney* also distinguished Santander as the "**Best Bank in Corporate Responsibility**" in Central and Eastern Europe in its "Awards for Excellence 2022," in recognition of the Bank's contribution to the humanitarian response to the war in Ukraine.

On the other hand, *Euromoney* awarded Santander the prize for the "**Best Bank**" in Western Europe, in recognition of the support that it continues to provide to its customers in the region. The magazine recognized Santander's work to support the development of about two million SMEs in Western Europe with the "**Best Bank for SMEs**" award in the region.

In terms of **financial literacy**, *Euromoney* distinguished Santander as the "**Best Bank in the World in Financial Inclusion**" for the second consecutive year, within the scope of its *Awards for Excellence 2022*, in recognition of





Santander's programmes in Latin America, Europe, and the USA for the financial empowerment of individuals and entrepreneurs. *The Banker* magazine also distinguished Santander as the "**Bank of the Year in Financial Inclusion**" for the Bank's proactive efforts to ensure a responsible, sustainable path to growth, through its commitment to "providing services to financially excluded communities and small businesses on a massive scale with its 'Finance for All' initiative, a comprehensive set of services that combines digitization with financial education."

Santander achieved the highest score in the financial sector and ranked second in the **2022 Gender Equality Index**, promoted by Bloomberg (*the Bloomberg Gender-Equality Index, GEI*), which acknowledges excellence and commitment in the field of gender equality, which positions the Bank as one of the most advanced companies in the world in this field.

**Santander Totta, SGPS**

<b>BALANCE SHEET</b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
<b>Cash, cash balances at central banks and other demand deposits</b>	8,415	8,719	-3.5%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	8,255	9,877	-16.4%
Financial assets at amortised cost	40,815	40,384	+1.1%
Investments in subsidiaries, joint ventures and associates	112	108	+3.1%
Tangible assets	447	498	-10.1%
Intangible assets	37	36	+4.7%
Tax assets	247	313	-21.0%
Non-current assets held for sale	44	75	-41.6%
Other assets	776	177	>200%
<b>Total Assets</b>	<b>59,148</b>	<b>60,186</b>	<b>-1.7%</b>
Financial liabilities held for trading	466	571	-18.5%
Other financial liabilities mandatory at fair value through profit or loss	2,793	3,344	-16.5%
Financial liabilities at amortised cost	50,437	49,618	+1.7%
Resources from Central Banks and Credit Institutions	6,928	7,804	-11.2%
Customer deposits	38,506	38,412	+0.2%
Debt securities issued	4,636	3,180	+45.8%
Other financial liabilities	367	222	+65.2%
Provisions	161	209	-22.9%
Technical provisions	625	677	-7.7%
Tax liabilities	302	357	-15.4%
Other liabilities	581	784	-25.9%
<b>Total Liabilities</b>	<b>55,365</b>	<b>55,561</b>	<b>-0.4%</b>
Share capital attributable to ST SGPS shareholders	3,782	4,622	-18.2%
Non controlling interests	1	2	-28.0%
<b>Total Shareholders' Equity</b>	<b>3,783</b>	<b>4,624</b>	<b>-18.2%</b>
<b>Total Shareholders' Equity and Total Liabilities</b>	<b>59,148</b>	<b>60,186</b>	<b>-1.7%</b>

**Santander Totta, SGPS**

<b>CONSOLIDATED INCOME STATEMENTS*</b> (million euro)	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
<b>Net interest income</b>	<b>782.9</b>	<b>729.6</b>	<b>+7.3%</b>
Income from equity instruments	3.8	1.5	+148.9%
Results from associates	20.6	16.1	+27.8%
Net fees	470.3	426.6	+10.2%
Other operating results	-31.1	-26.8	+16.0%
Insurance activity	12.2	16.2	-24.6%
<b>Commercial revenue</b>	<b>1,258.6</b>	<b>1,163.2</b>	<b>+8.2%</b>
Gain/losses on financial assets	88.3	155.3	-43.1%
<b>Net Income from Banking Activities</b>	<b>1,346.9</b>	<b>1,318.5</b>	<b>+2.2%</b>
Operating costs	-486.0	-528.7	-8.1%
Staff expenses	-263.4	-282.1	-6.6%
Other Administrative Expenses	-176.9	-196.9	-10.2%
Depreciation	-45.7	-49.7	-8.1%
<b>Net operating Income</b>	<b>860.9</b>	<b>789.7</b>	<b>+9.0%</b>
Impairment (net) of financial assets at amortised cost	12.0	-73.5	-
Net provisions and other results	0.7	-281.2	-
<b>Income before taxes and non-controlling interests</b>	<b>873.5</b>	<b>435.0</b>	<b>+100.8%</b>
Taxes	-266.6	-136.3	+95.6%
Non-controlling interests	-0.2	-0.1	+101.3%
<b>Consolidated net income</b>	<b>606.7</b>	<b>298.6</b>	<b>+103.2%</b>

(1) Includes the costs with the Resolution and Deposit Guarantee Funds

(\*) Not audited

**Santander Totta, SGPS**

In accordance with the definition contained in instructions 16/2004 of the Bank of Portugal with the changes in instruction 6/2018

<b>Ratios*</b>	<b>Dec-22</b>	<b>Dec-21</b>	<b>Var.</b>
<b>Profitability</b>			
Income before taxes and MI/Average net assets	1.4%	0.7%	+0.7 p.p.
Net income from banking activity/Average net assets	2.3%	2.3%	+0.0 p.p.
Income before taxes and MI/Average equity	21.9%	9.4%	+12.5 p.p.
<b>Efficiency</b>			
Operating expenses/Net income from banking activity	36.1%	40.1%	-4.0 p.p.
Staff expenses/Net income from banking activity	19.6%	21.4%	-1.8 p.p.
<b>Transformation</b>			
Credit (net)/Deposits	110.1%	110.5%	-0.4 p.p.